



FILE COPY

FORM 6 - K

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

**Report of Foreign Issuer
Pursuant to Rule 13a or 15d - 16 of
the Securities Exchange Act of 1934**

For the three months ended March 31, 2002

Cableuropa, S.A.U.

(Registrant's name)

333-10976

(Commission file number)

Edificio Belagua, calle Basauri 7-9,
Urbanización La Florida
28023 Aravaca,
Madrid, Spain

(Address of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports under cover Form 20-F or Form 40-F.

Form 20-F Form 40-F

Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes No

If "Yes" is marked, indicate below the file number assigned to the registrant in connection with rule 12g3-2(b):82 N/A



ONO GROUP
CABLEUROPA, S.A.U. AND SUBSIDIARIES

INDEX

	Page
PART I - FINANCIAL INFORMATION	3
ITEM 1. FINANCIAL STATEMENTS.....	3
<i>CONSOLIDATED BALANCE SHEETS</i>	<i>3</i>
<i>CONSOLIDATED STATEMENTS OF PROFIT AND LOSS.....</i>	<i>5</i>
<i>CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY.....</i>	<i>6</i>
BALANCE, DECEMBER 31, 2001	6
<i>NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF MARCH 31, 2002.....</i>	<i>7</i>
OPERATING ACTIVITIES.....	19
ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITIONS	21
<i>Introduction</i>	<i>21</i>
<i>Our operations.....</i>	<i>22</i>
<i>Critical accounting policies</i>	<i>22</i>
<i>Key Operating and Financial Statistics</i>	<i>24</i>
<i>Financial Results for the Three Months Ended March 31, 2002 and 2001</i>	<i>24</i>
<i>Recent Developments.....</i>	<i>26</i>
<i>Liquidity and Capital Resources.....</i>	<i>26</i>
<i>Safe Harbor Statement Under the Private Securities Litigation Reform Act of 1995.....</i>	<i>29</i>
ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK.....	29
PART II - OTHER INFORMATION	30
ITEM 1. LEGAL PROCEEDINGS.....	30
ITEM 2. CHANGES IN SECURITIES AND USE OF PROCEEDS	30
ITEM 3. DEFAULTS UPON SENIOR SECURITIES.....	30
ITEM 4. SUBMISSION OF MATTERS TO VOTE OF SECURITY HOLDERS.....	30
ITEM 5. OTHER INFORMATION	31
ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K.....	31
SIGNATURES.....	32



ONO GROUP
CABLEUROPA, S.A.U. AND SUBSIDIARIES

PART I - FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEETS
(€ thousand)
(Unaudited)

	<u>Note</u>	<u>At March 31, 2002</u>	<u>At December 31, 2001</u>
ASSETS			
Current assets			
Contributions due from shareholders		2	2
Cash		1,111	612
Short-term investments, net	2	135,373	39,515
Accounts receivable, net	3	124,394	122,136
Other current assets		8,080	9,599
Total current assets		<u>268,960</u>	<u>171,864</u>
Fixed assets			
Start-up costs, net	4	141,384	144,806
Intangible assets, net	5	152,495	157,361
Tangible assets, net	6	1,111,458	1,065,240
Financial assets	7	212,823	178,689
Goodwill on consolidation	8	253,004	256,163
Deferred expenses, net		<u>110,088</u>	<u>113,288</u>
Total assets		<u>2,250,212</u>	<u>2,087,411</u>
LIABILITIES AND SHAREHOLDERS' EQUITY			
Short-term debt			
Debt to credit entities		79,389	71,290
Accrued interest expenses		32,275	41,298
Total short term debt	11	<u>111,664</u>	<u>112,588</u>
Accounts payable		230,588	278,267
Other current liabilities		8,055	7,529
Total current liabilities		350,307	398,384
Long term debt	11	1,081,506	1,130,869
Long term liabilities	12	135,070	119,359
Commitments and contingencies	10	26,891	27,125
Minority interests		254	830
Participative loans	12	300,000	-
Shareholders' equity			
Common stock	9	484,663	484,663
Share premium		337,746	337,746
Accumulated deficit, beginning of period		(411,565)	(194,645)
Net loss for the year		(54,660)	(216,920)
Total shareholders' equity		<u>356,184</u>	<u>410,844</u>
Total liabilities and shareholders' equity		<u>2,250,212</u>	<u>2,087,411</u>



ONO GROUP

CABLEUROPA, S.A.U. AND SUBSIDIARIES

The accompanying notes are an integral part of these condensed consolidated financial statements.



ONO GROUP
CABLEUROPA, S.A.U. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF PROFIT AND LOSS
(€ thousand)
(Unaudited)

	Three Months Ended	
	March 31, 2002	March 31, 2001
Revenues:		
Telecommunications	39,943	18,840
Television	14,719	7,207
	<hr/>	<hr/>
	54,662	26,047
Operating expenses		
Cost of services	21,932	16,263
Broadcast rights amortization	1,603	1,352
Selling, general and administrative expenses	42,540	48,137
Less costs capitalised as start-up costs and property and equipment	(7,340)	(17,910)
Depreciation and amortization	22,760	11,104
	<hr/>	<hr/>
Total operating expenses	81,495	58,946
Operating loss	(26,833)	(32,899)
Amortization of goodwill	(4,966)	(4,930)
Net financial expense	(45,126)	(40,026)
	<hr/>	<hr/>
Loss from ordinary activities	(76,925)	(77,855)
Net extraordinary income/(expense)	60	(6,909)
	<hr/>	<hr/>
Loss before income taxes and minority interests	(76,865)	(84,764)
Income taxes	21,642	-
	<hr/>	<hr/>
Loss before minority interests	(55,223)	(84,764)
Loss attributed to minority interests	563	2,711
	<hr/>	<hr/>
Net loss for the period	(54,660)	(82,053)

The accompanying notes are an integral part of these condensed consolidated financial statements



ONO GROUP
CABLEUROPA, S.A.U. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(€ thousand, except share data)
(Unaudited)

	Amount	Number of shares	Paid-in Capital	Accumulated Deficit	Net Loss for the period	Total
BALANCE, December 31, 2001	484,663	484,662,719	337,746	(194,645)	(216,920)	410,844
Transfer of 2001 net loss	-	-	-	(216,920)	216,920	-
Net loss for the three months period	-	-	-	-	(54,660)	(54,660)
BALANCE, March 31, 2002	484,663	484,662,719	337,746	(411,565)	(54,660)	356,184

The accompanying notes are an integral part of these condensed consolidated financial statements



**ONO GROUP
CABLEUROPA, S.A.U. AND SUBSIDIARIES**

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF MARCH 31, 2002
(€ thousand, where relevant)
(Unaudited for figures at March 31, 2002)**

1. BASIS OF PRESENTATION

Cableuropa, S.A. and its consolidated subsidiaries (the Group) activities consist primarily of developing and operating broadband cable television and telecommunications networks in Spain.

The Group, which operates under the brand name of ONO, is comprised mainly of cable operators that obtained their corresponding territorial licenses and concessions for the provision of telecommunications and cable television services in their respective franchise areas. These licenses were subsequently modified by the Ministry of Science and Technology, separating those for the provision of cable television services and those for the provision of telecommunications and other services. The Group also includes other companies created or acquired for the provision of telecommunication services outside the franchise areas.

Cableuropa, S.A. was incorporated on June 2, 1992. Its domicile is at Edificio Belagua, c/ Basauri 7-9, 28023, Urbanización La Florida, Madrid (District of Moncloa-Aravaca), Spain.

The accompanying condensed consolidated unaudited financial statements have been prepared in accordance with generally accepted accounting principles in Spain for interim financial information. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles in Spain for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three months ended March 31, 2002, are not necessarily indicative of the results that may be expected for the year ending December 31, 2002.

The accompanying condensed consolidated financial statements as of March 31, 2002 are prepared in accordance with generally accepted accounting principles in Spain ("Spanish GAAP"). The format has been modified to adapt it to the format used in the United States. A description of differences and a reconciliation of consolidated net loss and shareholders' equity from Spanish GAAP to U.S. GAAP is set forth in Note 14.

2. SHORT-TERM INVESTMENTS, NET

	€ thousand	
	March 31, 2002	December 31, 2001
Short term investments	2,461	2,461
Short term securities portfolio	7,472	9,891
Short term restricted cash deposits	127,710	27,565
Short term rental deposits	191	2,059
Less: Provisions	(2,461)	(2,461)
Short term investments, net	<u>135,373</u>	<u>39,515</u>

The caption "Short term investments" includes the acquisition cost of holdings owned by the Group in Madrid Sistemas de Cable, S.A. and Sevilla Sistemas de Cable, S.A, which are planned to be sold off or liquidated in the short term. At March 31, 2002, these companies are inactive and their acquisition cost is fully provided for.

The short-term securities portfolio consists mostly of euro deposits, with yields ranging from 3.3% to 4.9% as of March 31, 2002.

In connection with the notes issued by Ono Finance, PLC in June 2000 and the related Multi-Borrower Credit Facility Agreements entered between Ono Finance, PLC and the Group, the Group committed to hold in escrow accounts sufficient cash to meet the interest payments on these facilities until July 2002.

In connection with the Senior Bank Facility, the Group committed to place in a charged account sufficient cash to meet interest payments due on the Multi-Borrower Credit Facility Agreements between March 31, 2002 and March 31, 2003. Those funds have been classified as "Short term restricted cash deposits".

This restricted cash, as well as its associated collateral, is classified in the Group's balance sheet based on the expected utilization of such funds.



ONO GROUP
CABLEEUROPA, S.A.U. AND SUBSIDIARIES

3. ACCOUNTS RECEIVABLE

	€ thousand	
	March 31, 2002	December 31, 2001
Receivables from related parties	2,481	2,457
Accounts receivable and other debtors	49,299	40,368
Tax receivables	87,986	89,963
Less: Allowance for doubtful accounts	(15,372)	(10,652)
Accounts receivable, net	<u>124,394</u>	<u>122,136</u>

4. START-UP COSTS

	€ thousand	
	March 31, 2002	December 31, 2001
Start-up costs, net	135,295	139,418
Stock issuance costs, net	6,089	5,388
	<u>141,384</u>	<u>144,806</u>

5. INTANGIBLE ASSETS

	€ thousand	
	March 31, 2002	December 31, 2001
Brand	639	617
Goodwill (Note 8)	125,841	125,841
Franchise acquisition costs	11,955	11,948
Broadcast rights	3,105	4,708
Computer software	30,419	29,791
Research and development	235	235
Finance leases	6,309	6,309
Other intangible fixed assets	240	240
Total cost	178,743	179,689
Total accumulated amortisation	(26,248)	(22,328)
Net book value	<u>152,495</u>	<u>157,361</u>



**ONO GROUP
CABLEUROPA, S.A.U. AND SUBSIDIARIES**

6. TANGIBLE ASSETS

	€ thousand	
	March 31, 2002	December 31, 2001
Network and technical equipment	1,039,981	984,499
Other installations	3,881	3,839
Computer hardware	34,172	33,969
Furniture and other tangible fixed assets	14,941	14,327
Total operating tangible fixed assets	1,092,975	1,036,634
Payments on account and assets in Course of construction	91,406	88,795
Total cost	1,184,381	1,125,429
Total accumulated amortisation	(70,923)	(58,189)
Provisions	(2,000)	(2,000)
Net book balance	1,111,458	1,065,240

7. FINANCIAL ASSETS

	€ thousand	
	March 31, 2002	December 31, 2001
Deferred tax credits	210,944	176,604
Other financial investments	1,879	2,085
Total financial assets	212,823	178,689

8. GOODWILL ON CONSOLIDATION

Goodwill on consolidation has principally arisen as a result of the corporate reorganizations. In these corporate reorganizations the parent company, Cableuropa, S.A., acquired additional shareholdings in its Spanish subsidiaries.

Goodwill included in the caption "Intangible Assets" consists of the transfers in Goodwill on consolidation as a result of the merger between Cableuropa, S.A., as the acquiring company, and the acquired wholly-owned subsidiaries Albacete Sistemas de Cable, S.A.U., Cable y Televisión de El Puerto, S.A.U., Cádiz de Cable y Televisión, S.A.U., Corporación Mallorquina de Cable, S.A.U., Huelva de Cable y Televisión, S.A.U., Santander de Cable, S.A.U., and TDC Sanlúcar, S.A.U. The merger of these companies had an accounting effect as of January 1, 2001.

9. SHAREHOLDERS' EQUITY

On December 3, 2001 Cableuropa sold its 100% stake in Elfos Comunicaciones, S.A.U. (a dormant company) to Spaincom.

On January 2, 2002 the name of Elfos was changed to Grupo Corporativo ONO, S.A. On the same date the share capital of Grupo Corporativo ONO, S.A. was increased to allow for an exchange of shareholdings by Cableuropa's existing shareholders for direct shareholdings in Grupo Corporativo ONO, S.A, thus leaving Grupo Corporativo ONO, S.A. as the sole shareholder (transaction registered with the Mercantile Register on January 2002) of Cableuropa, S.A.

On the same date, the shares of Cableuropa, S.A. owned by Grupo Corporativo ONO, S.A. were pledged to secure the Senior Bank Facility disclosed in Note 11.

After this transaction there are no changes to the shareholdings of Grupo Corporativo ONO, S.A. as compared to Cableuropa's shareholdings at December 31, 2001.

Share capital in the parent company as at March 31, 2002 is 484,662,719 euros and consist of 484,662,719 fully subscribed and paid ordinary bearer shares with a par value of euro 1 each.



**ONO GROUP
CABLEUROPA, S.A.U. AND SUBSIDIARIES**

10. PROVISION FOR COMMITMENTS AND CONTINGENCIES

	€ thousand	
	March 31, 2002	December 31, 2001
Provision for share-based compensation scheme	16,660	16,660
Provision for guarantees made to local authorities	1,111	1,111
Provision for Transfer Tax assessments	945	945
Other provisions for liabilities and charges	8,175	8,409
Total provision for commitments and contingencies	26,891	27,125

11. SHORT AND LONG TERM DEBT

As at March, 31 2002, the scheduled maturities of debt were as follows;

	€ thousand			
	Debt to credit entities	Other financial debts	Accrued interest	Total
2002	79,389	-	32,275	111,664
2003	4,417	-	-	4,417
2004	117	-	-	117
2005	-	-	-	-
2006	-	-	-	-
Subsequent years	65,000	1,011,972	-	1,076,972
Total	148,923	1,011,972	32,275	1,193,170
Less short term portion	79,389	-	32,275	111,664
Long term portion	69,534	1,011,972	-	1,081,506

a) Debt to credit entities

The detail of debt to credit entities as at March 31, 2002 is as follows:

Type of debt	€ thousand		
	Average interest rate during 2002	Maximum available as at March 31, 2002	Credit drawn down as at March 31, 2002
Long term debt:			
Senior Bank Facility	7.44%	285,000	65,000
"La Caixa" Bank loan	5.31%	-	3,205
Leasing	6.56%	-	1,329
Total long term		285,000	69,534
Short term debt:			
VAT Facility	4.59%	67,170	64,381
"La Caixa" Bank loan	4.00%	-	498
Invoice discounting	4.89%	9,015	6,335
Other credit facilities	4.28%	38,118	5,722
Leasing	5.60%	3,232	2,453
Total short term		117,535	79,389
Total payable to credit entities		402,535	148,923



**ONO GROUP
CABLEUROPA, S.A.U. AND SUBSIDIARIES**

Senior Bank Facility

On August 8, 2001, Cableuropa, S.A. and certain subsidiaries entered into a senior secured loan agreement with a syndicate of national and international banks. The overall amount of this loan totals € 800 million and it matures on December 31, 2008. The facility is divided into a series of tranches, each of which involves different amounts and terms of utilisation. The loan is secured through the pledge of shares in the capital of all Spanish cable operating companies and certain other subsidiaries and a pledge on credit rights and certain assets.

La Caixa Bank loan

This debt relates to a € 6 million long-term loan from La Caixa. This loan bears interest at MIBOR plus a margin and amortises on a half-year basis until December 31, 2004.

Value Added Taxes (“VAT”) facility

On July 18, 2001 the Group signed a short-term credit line with a syndicate of banks with a maximum limit of € 78.1 million. The purpose of this credit line is to finance VAT paid by the Group’s Spanish operators in 2001, which is recoverable from the authorities once the pertinent refund is requested in the annual calculation performed at the end of the relevant period.

Confirming contract with SCH Factoring y Confirming, S.A., E.F.C.

In 2000 Cableuropa, S.A. concluded a confirming contract for the management of the payment of the invoices raised by Ericsson España, S.A., maturing in 2002 and bearing interest at an annual rate of 1%.

Other credit lines

The Group has several short term credit lines, with different credit entities, which usually bear interest at MIBOR or EURIBOR plus a margin. The total amounts available but undrawn under those credit lines was € 38.1 million and € 22.9 million as of March 31, 2002 and December 31, 2001 respectively.

b) Other financial debts

The items included under this caption were as follows:

Type of Debt	€ Thousand
	March 31,
	2002
Long term:	
(MBCF-1) denominated in US Dollars	308,296
(MBCF-1) denominated in	125,000
(MBCF-2) denominated in	200,000
(MBCF-3) denominated in	150,000
(MBCF-3) denominated in US Dollars	228,676
Total long term debt	1,011,972

The multi-borrower credit facilities debt agreements were entered into with ONO Finance, PLC, a special purpose financing entity with no business operations other than the issuance of debt securities and the lending of the proceeds of such offerings to the Group. ONO Finance PLC is owned 2% by the Group and 98% by an English private limited company, and thus is not included in the consolidated financial statements of the Group.

MBCF – I

On May 6, 1999 Ono Finance, PLC issued 125,000 Senior Notes denominated in euros and 275,000 Senior Notes denominated in US dollars with a nominal value of € 1,000 and US\$ 1,000, respectively. Cableuropa, S.A. and certain Spanish operators of the Group acted as guarantors of the Notes. Also on May 6, 1999 Ono Finance, PLC, Cableuropa, S.A. and its subsidiaries concluded agreements - Multi-Borrower Credit Facilities (MBCF-1) and Escrow and Disbursement Agreements – under which the funds from the issue of the Notes were loaned by Ono Finance, PLC to Cableuropa, S.A. and the Spanish operators. These companies assumed an overall debt with Ono Finance, PLC equivalent to the amount owed by the issuer to the Noteholders with interest accruing at an annual rate of 13.214% on the amounts loaned. The difference between the debt assumed and the funds available to the Group (€ 79.9 million and \$US 177.9 million, respectively) relates to:

- a) The origination and maintenance fees stipulated in the agreements which are recorded under deferred expenses in the consolidated balance sheet and
- b) The restricted cash deposits (in US and European securities) which were held, together with the relevant collateral, as security for the payment of the first five interest payments due.



**ONO GROUP
CABLEUROPA, S.A.U. AND SUBSIDIARIES**

On the basis of MBCF-1, the borrowers and the guarantors are jointly and severally liable to the issuer for the principal, interest and other amounts pending. These obligations are subordinated in terms of priority to the Senior Bank Facility and other loans of the same nature.

On May 18, 2000 OnoNet Comunicaciones, S.A., which is wholly-owned by Cableuropa S.A., entered into an arrangement with Bank of America and Toronto Dominion Bank for the swap of amounts payable under MBCF-1 denominated in US dollars to euros. Under this swap arrangement, these banks bear the debt denominated in dollars until May 1, 2004 plus the relevant interest payable in dollars from maturity of the restricted deposits to said date and in exchange, OnoNet Comunicaciones, S.A. records a debt with identical maturities with these banks amounting to € 308 million in respect of the principal and € 76 million in respect of interest. The exchange rates used to carry out this Swap transaction were 0.8920 and 1.1713 dollars per euro for the principal and interest, respectively. On this same date OnoNet Comunicaciones, S.A. and the Group companies subscribing the debts concluded a subrogation agreement in proportion to their debt with Ono Finance, PLC. The coverage under the agreement was extended to all Group companies.

MBCF – 2

On June 30, 2000 Ono Finance, PLC issued 200,000 Senior Notes denominated in euros with a nominal value of € 1,000. Cableuropa, S.A., certain Spanish operators of the Group and Univertel Comunicações Universais, S.A. acted as guarantors of the Notes. Also on June 30, 2000 Ono Finance, PLC, Cableuropa, S.A. and its subsidiaries concluded agreements - Multi-Borrower Credit Facilities (MBCF-2) and Escrow and Disbursement Agreements – under which the funds from the issue of the Notes were loaned by Ono Finance, PLC to Cableuropa, S.A., the Spanish operators and Univertel Comunicações Universais, S.A. These companies assumed an overall debt with Ono Finance, PLC equivalent to the amount owed by the issuer to the Noteholders with interest accruing at an annual rate of 14.010% on the amounts loaned. The difference between the debt assumed and the funds available to the Group (€ 139,9 million) relates to:

- a) The origination and maintenance fees stipulated in the agreements which are recorded under deferred expenses in the consolidated balance sheet and
- b) The restricted cash deposits (in US and European securities) which have been held, together with the relevant collateral, as security for the payment of the first four interest payments due.

The borrowers may invest some of the funds from the MBCF-2 in ONOLab Internet, S.A. and ONONet Comunicaciones, S.A. even though these companies have not guaranteed the obligations of ONO Finance, PLC under the 2000 Notes.

On the basis of MBCF-2, the borrowers and the guarantors are jointly and severally liable to the issuer for the principal, interest and other amounts pending. These obligations are subordinated in terms of priority to the Senior Bank Facility and other loans of the same nature.

MBCF-3

On February 9, 2001, Ono Finance, PLC issued 150,000 Senior Notes denominated in euros and 200,000 Senior Notes denominated in US dollars with a nominal value of € 1,000 and US\$ 1,000, respectively. Cableuropa, S.A., certain Spanish operators of the Group and Univertel Comunicações Universais, S.A acted as guarantors of the Notes. Also on February 9, 2001 Ono Finance, PLC, Cableuropa, S.A. and its subsidiaries concluded an agreement - Multi-Borrower Credit Facilities (MBCF-3) – under which the funds from the issue of the Notes were loaned by Ono Finance, PLC to Cableuropa, S.A. and the Spanish operators. These companies assumed an overall debt with Ono Finance, PLC equivalent to the amount owed by the issuer to the Noteholders with interest accruing at an annual rate of 16.225 % on the amounts loaned. The difference between the debt assumed and the funds transferred to the Group (€ 124.8 million and \$US 166.4 million, respectively) relates to the origination and maintenance fees stipulated in the agreements which are recorded under deferred expenses in the consolidated balance sheet.

On the basis of MBCF-3, the borrowers and the guarantors are jointly and severally liable to the issuer for the principal, interest and other amounts pending. These obligations are subordinated in terms of priority to Senior Bank Facility and other loans of the same nature.

The debts under all of the Multi-Borrower Credit Facilities mature after ten years as from the date of issue of the relevant bonds.

- c) Accrued interest expenses

	<u>€ Thousand</u>
	<u>March 31,</u>
	<u>2002</u>
Accrued interest on VAT facility	99
Accrued interest on “La Caixa” Bank loan	114
Multi-Borrower Credit Facilities	31,821
Other accrued interest expenses	241
	<hr/>
Total accrued interest expenses	32,275

The caption Multi-Borrower Credit Facilities includes accrued interest expense to be paid to Ono Finance, PLC as a result of the debt incurred under the Multi-Borrower Credit Facilities.



ONO GROUP
CABLEUROPA, S.A.U. AND SUBSIDIARIES

12. LONG TERM LIABILITIES

	<u>€ Thousand</u> <u>March 31,</u> <u>2002</u>
EVCs (1)	76,954
Deferred taxes (1)	53,241
Deferred income	3,124
Other long term liabilities	<u>1,751</u>
Total long term liabilities	<u>135,070</u>

(1) EVCs and deferred taxes have no fixed maturity date.

Equity Value Certificates (“EVC”)

In connection with the Senior Notes issued on May 6, 1999, Cableuropa, S.A. concluded, as the guarantor, two agreements with Ono Finance, PLC and Bankers Trust, as the agent, known as the “Euro Equity Value Certificate Agreement” and “Dollar Equity Value Certificate Agreement”. Under these agreements Ono Finance, PLC issued 125,000 EVCs denominated in euros and 275,000 EVCs denominated in US dollars, related to the Notes issued by this same company, which, in addition to the interest agreed, granted the Noteholders the right to receive the cash value of 0.002441316 shares and the cash value of 0.002299657 shares of the market value of one ordinary share in Cableuropa, S.A. – on the basis of a nominal value of Ptas 1 million (6,010.121 €) –for each EVC denominated in euros and US dollars, respectively. Under certain circumstances the 1999 equity value certificates could be diluted.

In accordance with the terms of the issue of the EVCs, the issuer (Ono Finance, PLC) transferred to Cableuropa, S.A. the funds received from the issue of the EVCs (€ 5.9 million) and Cableuropa, S.A. undertook to pay the issuer an amount at least equivalent to the amount payable by the issuer to the EVC holders. As a result of the foregoing, Cableuropa, S.A. assumed an initial debt with Ono Finance, PLC of € 5.9 million, the subsequent value of which changes in accordance with the estimated liability under the EVCs which is, in turn, derived from the estimated market valuation of the Cableuropa Group.

At March 31, 2002, taking into account the estimated market value of Cableuropa S.A. shares, the debt recorded in respect of these EVCs amounts to € 26.4 million and is classified as other long-term financial payables on the basis that the circumstances that may crystallise this liability will not be likely to occur in the short term.

In connection with the Senior Notes issued on February 9, 2001, Cableuropa, S.A. concluded, as the guarantor, two agreements with Ono Finance, PLC and Deutsche Bank, as the agent, known as the “Euro Equity Value Certificate Agreement” and “Dollar Equity Value Certificate Agreement”. Under these agreements Ono Finance, PLC issued 150,000 EVCs denominated in euros and 200,000 EVCs denominated in US dollars, related to the Notes issued by this same company, which, in addition to the interest agreed, granted the Noteholders the right to receive the cash value of 45.98831311 shares and the cash value of 48.89512850 shares of the market value of one ordinary share in Cableuropa, S.A. – on the basis of a nominal value of 1 euro– for each EVC denominated in euros and US dollars, respectively. Under certain circumstances the 2001 equity value certificates could be diluted.

In accordance with the terms of the issue of the EVCs, the issuer (Ono Finance, PLC) transferred to Cableuropa, S.A. the funds received from the issue of the EVCs (€ 50.6 million) and Cableuropa, S.A. undertook to pay the issuer an amount at least equivalent to the amount payable by the issuer to the EVC holders. As a result of the foregoing, Cableuropa, S.A. assumed an initial debt with Ono Finance, PLC of € 50.6 million, the subsequent value of which changes in accordance with the estimated liability under the EVCs which is, in turn, derived from the market valuation of the Cableuropa Group.

At March 31, 2002, taking into account the estimated market value of Cableuropa S.A. shares, the debt recorded in respect of these EVCs amounts to € 50.6 million and is classified as other long-term financial payables on the basis that the circumstances that may crystallise this liability will not be likely to occur in the short term.

13. PARTICIPATIVE LOANS

In 2002, Grupo Corporativo ONO, S.A. received €300 million from our beneficial shareholders and contributed them to Cableuropa, S.A.U. characterised as participative loans. The participative loans accrue a variable interest of 0.25% on the volume of revenues of the Cableuropa group earned once revenues have surpassed €747 million on a quarterly basis.

The interest will not be credited to Grupo Corporativo ONO except where all amounts related to the senior bank facility and any other senior debt of the Cableuropa group (including principal and interest), have been fully met. Accrued and unpaid interests are added to the principal on a periodic basis. In no case should delayed interests be accrued. Interest added to the principal will be met by a one off payment on the expiry date of the loan (December 31, 2011).



ONO GROUP
CABLEUROPA, S.A.U. AND SUBSIDIARIES

14. DIFFERENCES BETWEEN SPANISH GAAP AND U.S. GAAP AND OTHER REQUIRED DISCLOSURES

The condensed consolidated financial statements of Cableuropa, S.A. are prepared in accordance with Spanish GAAP, which differs in certain material respects from US GAAP. A description of these differences and a reconciliation of net loss and shareholders' equity from Spanish GAAP to US GAAP are presented below.

I. Reconciliation of shareholders' equity and net loss.

Reconciliation of shareholders' equity	€ thousand	
	At March 31, 2002	At December 31, 2001
Shareholders' equity in accordance with Spanish GAAP.....	356,184	410,844
US GAAP adjustments:		
Stock issuance costs, net..... (a)	(6,089)	(5,389)
Start-up costs, net..... (b)	(124,042)	(127,889)
Foreign exchange deferred income..... (c)	3,124	65
Valuation allowance on deferred tax assets..... (d)	(68,579)	(55,594)
Research and development costs..... (e)	(64)	(71)
Capitalisation of interest..... (f)	21,652	19,249
Depreciation of Property and equipment..... (g)	(44,937)	(37,853)
Stock-based compensation..... (h)	2,602	2,833
Goodwill..... (i), (l)	204,483	199,517
Derivative financial instruments..... (j)	27,644	18,417
Net deferred tax effect of US GAAP adjustments..... (d)	16,615	18,063
Minority interests related to US GAAP adjustments..... (k)	1,432	1,613
Shareholders' equity in accordance with US GAAP.....	<u>390,025</u>	<u>443,805</u>

Reconciliation of net loss	€ thousand	
	March 31, 2002	Three Months Ended March 31, 2001
Net loss in accordance with Spanish GAAP.....	(54,660)	(82,053)
US GAAP adjustments:		
Reversal of amortisation of stock issuance costs..... (a)	356	248
Start-up costs..... (b)	(2,726)	(9,959)
Reversal of amortisation of start-up costs..... (b)	6,573	5081
Foreign exchange deferred income..... (c)	3,059	8,817
Valuation allowance on deferred tax assets..... (d)	(12,985)	-
Reversal of amortisation research and development costs..... (e)	7	9
Capitalisation of interest costs..... (f)	2,733	1,866
Amortisation of capitalised interest..... (f)	(330)	-
Depreciation of property and equipment..... (g)	(7,084)	(7,796)
Stock-based compensation..... (h)	(231)	(1,541)
Goodwill related to corporate reorganization..... (i)	-	(1,777)
Derivative financial instruments..... (j)	9,648	-
Net deferred tax effect of US GAAP adjustments..... (d)	(1,448)	-
Minority interests related to US GAAP adjustments..... (k)	(181)	384
Adjusted amortization on goodwill..... (l)	4,966	-
Net loss in accordance with US GAAP.....	<u>(52,303)</u>	<u>(86,721)</u>

- a) Stock issuance costs. Under Spanish GAAP, costs associated with equity stock issuances are capitalised as non current assets and amortised over five years. US GAAP requires stock issuance costs to be presented on a net basis within equity against the proceeds from the stock issuance, without amortisation.
- b) Start-up costs. The start-up costs caption included in the Group's financial statements prepared under Spanish GAAP comprises capitalised costs of start-up activities. Under Spanish GAAP costs of start-up activities can be capitalised and amortised over a period of up to five years. Under US GAAP, start-up costs are expensed as incurred.
- c) Foreign exchange deferred income. Under Spanish GAAP, positive exchange differences are deferred until they are realised. Under US GAAP, these differences are accounted for as financial income when incurred.



ONO GROUP
CABLEUROPA, S.A.U. AND SUBSIDIARIES

- d) Income taxes. Spanish GAAP permits the recognition of deferred tax assets, including those arising from net operating loss carryforwards, if it can be demonstrated that the deferred tax assets can be realised within a ten-year period from the date on which the assets were generated.

Under US GAAP, deferred tax assets and liabilities are recognised for all differences between the accounting and tax basis of assets and liabilities. Valuation allowances may be recorded against deferred tax assets if it is "more likely than not" that these assets will not be realised. Under US GAAP, a partial valuation allowance has been recorded against deferred tax assets that are fully recognised under Spanish GAAP. The calculation of the partial valuation allowance recognised under US GAAP is based upon the anticipated utilisation of net operating loss carry-forwards in future years.

The reconciliation of shareholders' equity and net loss between Spanish and US GAAP also includes the deferred tax effect on US GAAP adjustments. The tax effects of temporary differences, carry-forwards and US GAAP differences that give rise to deferred tax liabilities and assets under US GAAP as of March 31, 2002 and as of December 2001 are as follows:

Non-current	€ thousand	
	At March 31, 2001	At December 31, 2001
Deferred tax liabilities-provision on investments	(53,241)	(40,542)
Deferred tax assets- net operating losses carry-forward	276,051	241,710
Tax effects of US GAAP adjustments	41,537	45,159
Deferred taxes	264,347	246,327
Valuation allowance	(158,608)	(147,796)
Deferred taxes, net	105,739	98,531

A reconciliation of the computed tax at the Spanish statutory tax rate and the income taxes reorganised in accordance with Spanish GAAP for the three months ended March 31, 2002 and 2001 is as follows:

	€ thousand	
	March 31, 2002	March 31, 2001
Computed tax at the Spanish statutory rate of 35%.....	(25,524)	(29,667)
Non deductible expenses	6,822	5,084
Differences due to consolidation adjustments	(2,940)	(1,481)
Corporate income tax.....	(21,642)	(26,064)

- e) Research and development costs. Under Spanish GAAP, research and development costs are capitalised as intangible assets if the Group considers that there is no reasonable doubt about their future success and profitability. Under US GAAP, these costs are expensed as incurred.
- f) Capitalisation of interest. Under US GAAP, interest costs that are directly related to the construction or production of assets for the company's own use must be capitalised as part of the cost of such assets. Under Spanish GAAP, capitalisation of interest cost is optional. The Group has chosen not to capitalise any interest cost under Spanish GAAP.
- g) Depreciation of assets. Under Spanish GAAP, during the prematurity period, property and equipment are depreciated on a straight-line basis, although weighted depending on each operating company's stage of development. Under US GAAP these assets are depreciated on a straight-line basis over the useful lives.
- h) Stock-based compensation. Under Spanish GAAP, compensation expense for the Phantom Stock Option Plan is recorded for all options from the grant date to the exercise date, without regard for vesting provisions. Under US GAAP, compensation expense is recorded based upon the percentage of vesting accumulated.

The weighted average remaining contractual life of the options outstanding as of March 31, 2002 is 29 months.

- i) Goodwill related to the Corporate Reorganisation

Under Spanish GAAP, the corporate reorganisation transactions give rise to goodwill of €387.4 million. Under US GAAP the corporate reorganisation transactions give rise to goodwill of € 601.4 million and an extraordinary loss of € 3.8 million, as explained in the following paragraphs.



ONO GROUP
CABLEUROPA, S.A.U. AND SUBSIDIARIES

- Value of Ordinary Shares Issued—

Under Spanish GAAP the corporate reorganisation is accounted for based on a value for the Group's ordinary shares as fixed by the Board of Directors. Under US GAAP, it is accounted for at fair value of the ordinary shares issued.

Management of the Group has considered the fair value of the corporate reorganisation to be equivalent to the market value of the shares, as estimated by the Board of Directors. The market value has been estimated by applying generally accepted valuation method.

In 2000, the Group considered the fair value of the corporate reorganisation to be equivalent to the midpoint of the estimated range of the initial public offering price, which was cancelled.

- Redemption of Participative Loans

In 2000, the Group redeemed all outstanding participative loans in connection with the corporate reorganisation. Under Spanish GAAP, the redemption of these loans in exchange for ordinary shares does not give rise to a gain or loss. Instead, as the redemption of the loans is in connection with the acquisitions of the minority interests in the Group's subsidiaries, the difference between the value of the ordinary shares issued to redeem the loans and their carrying amount is recorded as goodwill.

Under US GAAP, the redemption of debt would not give rise to goodwill but, instead, may trigger an extraordinary gain or loss. This would occur if the value of the consideration used to redeem the debt is less than or is an excess of the carrying value of that debt on the date of redemption. The Corporate reorganisation agreements do not specify the portion of our ordinary shares that are used to redeem the debt. Moreover, the fair value of the participative loans cannot be determined because of its unusual terms. Accordingly, the Group has made an assumption that 2,568,349 of the ordinary shares were used to redeem the debt. This assumption is based on the following concepts:

The carrying value of outstanding participative loans was €11.2 million.

The value of the Cableuropa ordinary shares issued to the minority shareholders of the subsidiaries at which the participating debt was outstanding was set by the Board of Directors and stated in the corporate reorganisation agreements at €4.36 per share.

Accordingly, the Group has assumed that 2,568,349 of its ordinary shares were used to redeem the participative loans.

Accordingly the value of the Cableuropa ordinary shares used to redeem the participative loans was €15.0 million, resulting in an extraordinary loss of €3.8 million.

Summary

The following table summarises the allocation of purchase price to acquired net assets under US GAAP.

	<u>Shareholdings acquisition</u>	<u>Participative Loans acquisition</u>	<u>Cash Contributions</u>	<u>Total consideration</u>
Fair value of consideration issued.....	560 728	15 025	730	576 483
Less: Fair value of minority interests acquired	(39 930)	11 198	-	(28 732)
Less extraordinary loss.....	-	3 827		3 827
Goodwill	600 658	-	730	601 388

j) Derivative financial instruments

The Group has entered into a cross-currency swap agreement to fix its future payments on MBCF-1 dollar denominated debt into euro. Under Spanish GAAP the Group accounts for this swap agreement off-balance sheet until the related cash flows are received or paid, at which time such cash flows are recorded directly to the statement of profit and loss. Prior to January 1, 2001, the same accounting treatment was applied under US GAAP.

On January 1, 2001 the Group adopted Statement of Financial Accounting Standards No. 133, Accounting for Derivative Instruments and Hedging Activities (SFAS 133), as amended by SFAS 137, SFAS 138 and the Derivatives Implementation Group (DIG). On this date, the Group recorded a net cumulative-effect transition adjustment of € 5.0 million in other comprehensive income to adopt the provisions of SFAS 133 under US GAAP. This adjustment to other comprehensive income is being amortised into the statement of profit and loss account over the life of the underlying debt. Subsequent to January 1, 2001, the Group has recorded this swap



**ONO GROUP
CABLEUROPA, S.A.U. AND SUBSIDIARIES**

agreement on the balance sheet at its fair value, with changes in fair value recognised in the statement of profit and loss during the year.

k) **Minority interests.**

Minority interests reflects the portion of the US GAAP adjustments that are allocated to minority interests.

l) **Adjusted amortization on Goodwill.**

Under Spanish GAAP, the Group records amortization on goodwill. Under US GAAP, in connection with the adoption of SFAS 142 on January 1, 2002 the Group is no longer recording goodwill amortization expense.

II. **Additional disclosures**

The following disclosures are included to comply with the United States Securities and Exchange Commission's regulations for foreign registrants. As indicated, certain disclosures are presented on a Spanish GAAP measurement basis.

a) **Use of estimates**

The preparation of these financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect reporting amounts of certain assets, liabilities, revenues and expenses and the disclosure of contingent assets and liabilities. Actual results could differ from such estimates.

b) **Disclosures of fair value of the financial instruments**

The carrying values of cash and cash equivalents, accounts receivable, accounts payable and short-term debts approximate fair value due to the short maturity of these instruments. The carrying value of the non-current portion of restricted cash equals to fair value since it bears an explicit and variable interest rate. Equity Value Certificates are carried in the balance sheet at their fair value. Fair value of the company's equity shares at December 31, 2001 has been estimated using a generally accepted valuation method. The total market value of the MBCF-1, MBCF-2 and MBCF-3 long-term debt balances, as of March 31, 2002 and December 2001, was €500 million and €788 million, respectively.

The company's long term debt contains certain non-financial covenants. In addition, the senior bank facility contains certain financial covenants. As at March 31, 2002, the company is in compliance with all of these covenants.

c) **Comprehensive income**

US GAAP requires entities to separately disclose all components of comprehensive income in the financial statements in the period in which they are recognised.

Comprehensive income under US GAAP is as follows:

	€ thousand
	For the three months ended March 2002
Net loss under US GAAP	(52,303)
Other comprehensive income:	
Transition adjustment for derivative financial instruments, net of tax credit Of € 1,587 thousand	2,948
Net comprehensive loss under US GAAP	<u>(49,355)</u>

There were no amounts recorded as comprehensive income during the three months ended March, 31 2001.



**ONO GROUP
CABLEUROPA, S.A.U. AND SUBSIDIARIES**

d) Classification differences

- Net extraordinary expenses. Under Spanish GAAP, the Group has classified certain income and expenses as extraordinary items. Under US GAAP, these items would be classified as a component of other operating and non-operating income (expense), as appropriate.
- Cash and cash equivalents. Under Spanish GAAP, cash and cash equivalents equals cash and banks accounts. Under US GAAP, the Group considers all highly liquid investments with a maturity of three months or less, to be cash and cash equivalents, Cash and cash equivalents under US GAAP amounted to 122.6 million euros and 10.5 million euros, at March 31, 2002 and December 31, 2001, respectively.
- Prepayments for tangible assets. Under Spanish GAAP, prepayments on account for the purchase or construction of tangible assets are classified as non-current assets. Under US GAAP, prepaid expenses are classified as current assets until the underlying funds are utilised.
- Goodwill. Under Spanish GAAP, goodwill resulting from the vertical merger is presented under intangible assets. Under US GAAP it should be presented under the caption Goodwill on consolidation of the balance sheet.



ONO GROUP
CABLEUROPA, S.A.U. AND SUBSIDIARIES

e) Consolidated Statements of Cash flows. (Unaudited).

	€ thousand	
	Three Months Ended	
	March 31, 2002	March 31, 2001
OPERATING ACTIVITIES		
Net loss	(54,660)	(82,053)
ADJUSTMENTS TO RECONCILE NET LOSS TO NET CASH USED BY OPERATING ACTIVITIES		
Exchange rate difference in long term debt	1,739	11,031
Amortization of deferred expenses	7,523	4,930
Depreciation and amortization	27,726	12,456
Commitments and contingencies	(234)	-
Tax Credits	(21,642)	-
Losses attributed to minority interests	(563)	(2,711)
Start-up costs	(4,181)	(13,881)
Deferred expenses	(4,119)	-
Other	(12)	6,258
Changes in operating assets and liabilities		
Accounts receivable	(2,258)	(25,932)
Short term restricted cash deposits	(100,145)	803
Other current assets	3,387	(5,942)
Accounts payable	(47,679)	(68,178)
Short term debt and other current liabilities	(398)	33,896
Net cash used by operating activities	(195,516)	(129,323)
INVESTING ACTIVITIES:		
Purchases of property and equipment	(59,127)	(115,480)
Goodwill	(227)	-
Acquisition of investments (including restricted investments)	-	11,399
Intangible assets	1,040	(3,172)
Net cash used in investing activities	(58,314)	(107,253)
FINANCING ACTIVITIES		
Issuance of common stock	-	149,963
Proceeds from senior notes	-	306,721
Proceeds from EVC	-	50,599
Participating loans from shareholders	300,000	-
(Payments) / proceeds of debt to credit lines	(51,102)	-
Other, net	3,012	8,965
Net cash provided by financing activities	251,910	516,248
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,920)	279,672
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	10,503	14,259
CASH AND CASH EQUIVALENTS AT END OF PERIOD	8,583	293,931

f) New accounting pronouncements

SFAS 142

In June 2001, the Financial Accounting Standard Board (FASB) issued Statement of Financial Accounting Standard N° 142 "Goodwill and other Intangible Assets" (SFAS 142).

SFAS 142 is effective for fiscal years beginning after December 15, 2001. SFAS 142 primarily addresses the accounting for goodwill and intangible assets subsequent to their initial recognition. The provision of SFAS 142 (1) prohibit the amortisation of goodwill and



ONO GROUP

CABLEUROPA, S.A.U. AND SUBSIDIARIES

indefinite-lived intangible assets, (2) require that goodwill and indefinite lived- intangible assets be tested annually for impairment and (3) require that reporting units be identified for purposes of assessing potential future impairments of goodwill.

SFAS 142 requires that goodwill and indefinite-lived intangible assets be tested annually for impairment. Goodwill impairment is tested using a two step process, whereby the first step identifies a potential impairment and the second step measures the amount of the impairment loss, if any. Intangible assets deemed to have an indefinite life are tested for impairment using a one-step process, which compares the fair value to the carrying amount of the assets. The Group is performing these impairment tests for both goodwill and indefinite-lived assets , and thus has not yet determined their financial impact. Any impairment losses resulting from transitional impairment tests will be reflected as the cumulative effect of a change in accounting principle.

SFAS 143

In August 2001, the FASB issued Statement of Financial Accounting Standards N° 143 Accounting for Obligations Associated with the Retirement of Long-Lived Assets (SFAS 143). This standard will be effective for the Group from January 1, 2003. SFAS 143 provides guidance on accounting for retirement obligations associated with tangible long-lived assets. The standard requires that such obligations be capitalised as part of the assets' cost at the time of initial recognition, with the related liability discounted to its fair value at the time of recognition. Income adjustments resulting from the adoption of SFAS 143 will be disclosed as a cumulative effect of a change in accounting principles. The Group will assess the impact that this new standard will have on its financial position and results of operations.



**ONO GROUP
CABLEUROPA, S.A.U. AND SUBSIDIARIES**

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITIONS

Set forth below is a discussion of the financial conditions and results of operations of Cableuropa, S.A.U. and its subsidiaries (the "Group") for the three months ended March 31, 2002. This discussion should be read in conjunction with the unaudited Condensed Financial Statements and notes thereto for the three months ended March 31, 2002 included herein.

Introduction

Cableuropa, a Spanish corporation, is both an operating company and the intermediate holding company for the ONO group, which is further made up of our five Spanish cable television and telecommunications subsidiaries, our Portuguese subsidiary, our Internet subsidiary, ONOLab, and our business service subsidiaries, ONO SP and ONONet.

Since January 2, 2002, as a result of our corporate reorganization, Cableuropa, S.A.U. has become a wholly owned subsidiary of Grupo Corporativo ONO, S.A.

Our Subsidiaries

Our principal subsidiaries are comprised of:

- five Spanish subsidiaries who were awarded telecommunications and cable television franchises in 1997 and 1998. We refer to these subsidiaries, together with Cableuropa (which holds seven additional franchises), as our Cable Operators;
- Univertel Comunicações Universais, S.A.U., which we refer to as our Portuguese subsidiary;
- ONONet Comunicaciones, S.A.U., which we refer to as ONONet;
- ONOLab Internet, S.A.U., which we refer to as ONOLab; and
- ONO Service Provider, S.A.U., which we refer to as ONO SP.

Our Cable Operators

Our Cable Operators are:

- Cable y Televisión de Andalucía, S.A.U., known as Andalucía;
- Mediterránea Norte Sistemas de Cable, S.A., known as Valencia North;
- Mediterránea Sur Sistemas de Cable, S.A., known as Valencia South;
- Región de Murcia de Cable, S.A., known as Murcia; and
- Valencia de Cable, S.A., known as Valencia.

These subsidiaries own cable franchises in each of the above mentioned areas. We have recently completed a reorganization and simplification of our corporate structure. Prior to December 31, 2001, Cableuropa owned a total of twelve Spanish subsidiaries, of which seven were wholly-owned subsidiaries. Those subsidiaries were Albacete Sistemas de Cable, S.A.U., Cable y Televisión de El Puerto, S.A.U., Cádiz de Cable y Televisión, S.A.U, Corporación Mallorquina de Cable, S.A.U, Huelva de Cable y Televisión, S.A.U, Santander de Cable, S.A.U and TDC Sanlúcar, S.A.U. On December 31, 2001, these subsidiaries were merged into Cableuropa and all their assets and liabilities were acquired by operation of law by Cableuropa.

The following table shows Cableuropa's percentage ownership of each of the Spanish Cable Operators as of March 31, 2002:

<u>Cable Operator</u>	<u>Cableuropa Ownership</u>
Andalucía ⁽¹⁾	100.00%
Valencia North	97.83%
Valencia South	97.83%
Murcia	99.94%
Valencia	98.13%

(1) Andalucía is indirectly held by Cableuropa through Jerez de Cable, S.L.

The remaining equity interests are held by local shareholders.

Our Portuguese Subsidiary

In February 2000, we acquired 100% of our Portuguese subsidiary which holds a license to construct telecommunications and cable television networks to provide cable television services in the cities of Lisbon and Porto in Portugal, covering approximately 800,000 homes and 55,000 businesses. We have very limited build commitments under these licenses. We also have a license authorizing our Portuguese subsidiary to provide telecommunications services in Portugal.

ONONet

In February 2000, we established ONONet, a wholly owned subsidiary. ONONet owns our IP network and holds a B1 license to provide telecommunications services in the province of Barcelona.



ONO GROUP
CABLEEUROPA, S.A.U. AND SUBSIDIARIES

ONOLab

In February 2000, we established ONOLab, a wholly owned subsidiary. ONOLab currently provides ISP services, manages our broadband portals and our Internet Cafes.

ONO SP

In September, 2001, Cableuropa acquired 100% of the shares of Telia Iberia, S.A., which later was renamed ONO Service Provider, S.A., or ONO SP, a company specializing in business telecommunication services.

Our operations

We are one of the leading providers of integrated telecommunications, cable television and broadband Internet services in Spain. We commenced commercial operations in October 1998 and a significant amount of our network buildout remains to be completed. Consequently, we expect to incur net losses until at least the end of 2005. Our business is comprised of two principal elements:

- *Cable Television, Direct Access Telecommunications Services and Broadband and Narrowband Internet Access Targeted at Residential Users.* We offer these services in our Spanish franchises, the areas of Spain where we have licenses, authorizations and concessions to provide these services. Our Spanish franchises cover approximately four million homes and 270,000 businesses, representing approximately 23% of the homes and 18% of the businesses in Spain.
- *Direct Access Competitive Local Exchange Services Targeted at Small and Medium Business Customers.* We are also building local access fiber-optic networks, primarily in the principal cities in our franchise areas. Local access networks connect small and medium sized business customers directly to our fiber-optic network. We further provide a range of voice, data and other value-added services to medium and large sized business customers, including other telecommunications operators on a national basis, and we may use other operators' local access networks for the final link to the customer in some of these cases.

As of March 31, 2002, our local networks were accessible to 1,483,706 homes and included 15 high capacity voice and data switches and 6,139 kilometers of installed and operational local access networks. We are building our local networks at a rate that will give us access to approximately 300,000 additional homes during the whole of the year 2002.

As of March 31, 2002, we had leased and were operating approximately 5,314 kilometers of fiber-optic cable for our backbone network. The backbone network connects our franchise areas and enables us to achieve significant cost savings, generate additional revenues and allow us to provide good quality communication services across all of our networks. We also lease backbone network outside of our franchise areas in order to provide service to ONO SP customers.

Our backbone network is equipped with dense wave-division multiplexing equipment, which allows us to use several different wavelengths of laser light in each optical fiber simultaneously. This technology substantially increases the capacity of the backbone network and consequently makes its deployment more cost effective than other available technologies. In addition, our backbone network has been augmented with a national Internet Protocol, or IP network. We use our backbone network to:

- link each of our telephone switches, allowing a greater proportion of calls to remain solely within our network and thereby saving on interconnection costs;
- distribute our high-speed Internet services from our national data center in Madrid; and
- deliver the digital TV signal from our digital TV playout center in Madrid.

We currently provide residential and business customers with a broad array of competitive communications products and services, including the following:

- *Residential services.* We provide high-speed, high capacity, or broadband telecommunications services, including local exchange services, cable television services and Internet access services to residential customers, (including small office and home office customers), in each of our Spanish franchises. As of March 31, 2002, we had 370,819 residential customers, which represent approximately one out of every three homes to which we have marketed our services. Over 71% of our residential customers subscribe to two or more services.
- *Business services.* Inside our franchise areas, we provide broadband telecommunications services to small and medium size business customers through direct connections to our networks, including basic voice services, value-added services and data services. Outside of our franchise areas we are able to offer companies of all sizes sophisticated voice and data services. In addition, we also provide carrier services to other telecommunications providers requiring transmission capacity on our networks. As of March 31, 2002, we had 5,308 business customers contracted.

As a result of our limited operating history, you have limited operating and financial data about us upon which to base an evaluation of our performance. We have experienced negative cash flows after capital expenditures and debt service, negative EBITDA and net losses to date reflecting the development stage of our activities. We expect to continue to generate negative cash flows, negative EBITDA and net losses until our networks are adequately developed to allow us to establish sufficient revenue generating customer base. We do not expect to report positive EBITDA before the second half of 2002 and we expect negative cash flows, after capital expenditures and debt service and net losses at least until the end of 2005. In addition, the Group's operations are subject to significant regulation and supervision by various regulatory bodies. Changes in such regulations could impact our results.

Critical accounting policies



ONO GROUP

CABLEEUROPA, S.A.U. AND SUBSIDIARIES

The following critical accounting policies are based upon our application of Spanish GAAP. A summary of the significant differences between Spanish GAAP and U.S. GAAP, including a reconciliation of net loss and shareholders' equity and additional disclosures required under U.S. GAAP, are provided in note 14 to our unaudited condensed consolidated financial statements, included herein.

Costs Capitalization

We capitalize all of the costs directly and indirectly associated with our network buildout. In addition, we capitalized other costs as start-up costs during the early years of operation.

Start-up costs mainly include start-up costs incurred by the Company and subsidiaries prior to the launch of operations and during the prematurity period.

We consider the prematurity period as the period in which network construction increases faster than the company's commercial operations. For cable operators, it is normal to have a significant portion of idle capacity during the starting years of operations, as substantial completion of the network construction is needed before commercial launch of services. We estimate a different prematurity period for each operating company depending on the size of the franchise area, density of population and planned network rollout period.

All start-up costs are capitalized and written off on a straight-line basis over a period of 5 years either from the date of commercial launch of services or when incurred.

Goodwill on Consolidation

As a result of our corporate reorganization, Cableuropa acquired additional stakeholdings in the Spanish subsidiaries. The positive difference between the book value of the parent company's direct or indirect shareholdings in subsidiaries and the value of the portion of the subsidiaries' net worth which is attributable to those shareholdings, adjusted for any latent capital gains at the date of the acquisition, is recorded in the consolidation process as goodwill on consolidation. Goodwill on consolidation is written off on a straight line basis over 20 years.

Goodwill on consolidation is written off on a straight line basis over 20 years.

Deferred Tax Credit

A deferred tax credit related to fiscal years ended December, 31 1999 and 2001 and the three months ended March 31, 2002 has been recognized by certain subsidiaries in their financial statements. Deferred tax credits are accounted for as financial investments as we consider the recoverability of these amounts to be beyond one year.

Transactions and Balances Denominated in Foreign Currencies

Debtors and creditors denominated in foreign currency are stated at year-end exchange rates. Transactions in foreign currencies are recorded on the profit and loss account at the exchange rates on the dates when they took place. Realised gains, together with realised and unrealized losses on exchange, are taken to the profit and loss account in the year. Unrealized gains are recorded as deferred income and recorded to the profit and loss account only when they are realised, or if they offset unrealized losses recognized in the same accounting period.

Income and Expenses

Income and expenses are recorded on an accrual basis, i.e. in the period in which the income or expense deriving from the goods or services in question is earned or incurred.

Revenues are derived from the sale of telecommunications and cable television services to residential and business customers and from network interconnection with other operators and are recognized in the period the related services are provided.

Such revenues are recognized only when persuasive evidence of a sales arrangement exists, the related services have been rendered, the sales price to the customer is fixed and determinable and collectibility is reasonably assured.

For reasons of prudence, however, we only record profits realized at the year end, while foreseeable risks and potential losses are recorded as soon as they are known.



ONO GROUP
CABLEUROPA, S.A. AND SUBSIDIARIES

Key Operating and Financial Statistics

The following table set out a summary of the Group's key operating and financial statistics to date.

Commercial	March 31, 2002	December 31, 2001	March 31, 2001
Cities under construction	70	67	49
Cities with service	63	60	37
Local network built (kilometers).....	5,314	5,135	3,954
Backbone network (kilometers).....	6,139	5,712	4,097
Operational switches.....	15	15	15
Operational headends.....	12	12	12
Homes passed	1,483,706	1,399,514	1,030,573
Residential Services			
Telecommunications customers	343,153	308,056	191,918
Telecommunications penetration ⁽¹⁾	28.4%	27.7%	26.2%
Average monthly revenue per telecommunications customer (euro) ⁽²⁾	28.8	28.4	29.0
Cable television customers	251,547	232,199	151,727
Television penetration ⁽¹⁾	20.9%	20.9%	20.7%
Average monthly revenue per television customer (euro) ⁽²⁾	20.2	18.0	16.5
Broadband high speed Internet customers	49,171	37,155	21,194
Narrowband Internet customers	49,243	48,964	32,032
Total customers	370,819	333,997	211,975
Average monthly revenue per customer (euro) ⁽²⁾	47.5	45.7	42.6
Business Services			
Business customers in service ⁽³⁾	5,308	4,829	3,397
Average monthly revenue per customer (euro) ^{(2), (3)}	253.0	277.9	145.1

(1) Penetration is calculated by expressing the number of customers at the end of the relevant period over homes marketed.

(2) Average monthly revenue per telecommunications and per television customer are based on the results of operations for the three months ended March 31, 2002, the three months ended December 31, 2001 and the three months ended March 31, 2001.

(3) Calculation includes revenues (and customers) from ONO Service Provider, S.A. (formerly Telia Iberia, acquired in the third quarter of 2001) of approximately € 1,310,000 for the three months ended March 31, 2002, and € 1,323,761 at December 2001 (since its acquisition in September).

Financial Results for the Three Months Ended March 31, 2002 and 2001

The following financial results are presented in accordance with accounting principles generally accepted in Spain (Spanish GAAP). Spanish GAAP varies in certain significant respects from accounting principles generally accepted in the United States (US GAAP). A reconciliation of the significant differences between Spanish GAAP is included in Note 14 to the unaudited condensed consolidated statements included herein.

Revenues

Revenues were €54.7 million in the three months ended March 31, 2002, compared to revenues of €26.0 million in the three months ended March 31, 2001. The increase of approximately €28.7 million is principally due to an increase in the number of our residential and business customers as we have continued to build our integrated telecommunications and cable television networks, as well as to the increase in take up of our bundled packages. In the three months ended March 31, 2002 approximately 65% of our revenues were derived from residential direct access telephony and Internet access services as compared to 67% in the same period in 2001. The decrease in the percentage share of our residential telecommunications revenues is mainly due to the increase in revenues as a result of the acquisition of ONO SP, who principally provides data services to business customers, in September 2001.

Residential Services. Residential telephony revenues (which includes small office and home office customers) were €28.1 million in the three months ended March 31, 2002, compared to revenues of €17.4 million in the three months ended March 31, 2001. Cable television revenues were €14.7 million in the three months ended March 31, 2002 as compared with €7.2 million in the same period in 2001. The increase in revenues is due to increases in both the penetration of our services and the average revenue per user.

We offer to our customers a number of different packages, each of which includes a variable combination of telephony services, cable television services and Internet access at a price that is lower than the aggregate price of these services purchased on an individual basis. The increasing take-up of these bundled services together with growing brand recognition and a strong customer acquisition focus has contributed to the increase in the penetration of all of our services during the three months ended March 31, 2002. As of March 31, 2002, the percentage of our customers who took in two or more services was just over 71%.



ONO GROUP
CABLEUROPA, S.A. AND SUBSIDIARIES

Residential telephony penetration increased from 26.2% as of March 31, 2001 to 28.4% as of March 31, 2002. Cable television penetration increased from 20.7% as of March 31, 2001 to 20.9% as of March 31, 2002. Internet access services were launched in late 1999, reaching a combined broadband and narrowband penetration of 8.2% as of March 31, 2001 and 7.3% as of March 31, 2002.

Average monthly revenues per telecommunications customer were €28.8 and average monthly revenues per television customer were €20.2 in the three months ended March 31, 2002, showing a decrease of 0.7% and an increase of 22.4%, respectively, as compared to the three months ended March 31, 2001. The increase in cable television ARPU is mainly due to price increases and more customers taking premium packages. This revenue increase, together with the increasing take up of bundled services led to an average monthly revenue per residential customer of €47.5 as of March 31, 2002 as compared to €42.6 as of March 31, 2001.

Business Services. We extended business services offerings to medium sized and large businesses to all of our franchises areas in 2001 and following the acquisition of ONO SP we are able to offer business services across the whole country. As of March 31, 2002, we had 5,308 businesses customers as compared to 3,397 as of March, 31 2001. These customers generated revenues of €4.4 million during the period as compared to €1.4 million in the same period in 2001. Average monthly revenues per business customer in the three months ended March 31, 2001 were €253.0 as compared to €145.1 for the same period in the previous year.

Operating Expenses

Total operating expenses in the three months ended March 31, 2002 were €81.5 million as compared with €58.9 million in the same period in 2001. Operating expenses consisted of cost of services, broadcast rights amortization, selling, general and administrative expenses, and depreciation and amortization.

Cost of services was €21.9 million in the three months ended March 31, 2002 as compared with €16.3 million in the same period in 2001. Cost of services consists of interconnection costs for telecommunications services, programming fees for cable television services and Internet connectivity costs. The increase in costs of services in the three months ended March 31, 2002 is in line with the expansion of our business. Our gross margin in the three months ended March 31, 2002 was €32.7 million, an increase of €22.9 million from a gross margin of €9.8 million in the three months ended March 31, 2001.

Broadcast rights amortization was €1.6 million in the three months ended March 31, 2002 and €1.4 million in the same period in 2001. We entered into agreements to receive pay-per-view television of Spanish soccer with Canal Satélite Digital and Audio Visual Sport in September and November 1999 and paid a lump sum for such rights. This cost is being amortised over 4 years.

Selling, general and administrative expenses include those related to selling and marketing, customer care, network operation, lease and maintenance and billing.

Gross selling, general and administrative expenses decreased 11.4 %, to €42.6 million in the three months ended March 31, 2002 from €48.1 million in the same period in 2001, mainly because we maintained strict control over our costs despite the continued expansion of our business and the associated increases in selling, general and administrative expenses, particularly in marketing costs, costs of operations and maintenance and customer service.

In accordance with Spanish GAAP, start-up costs and certain costs associated with the purchase of property and equipment for our networks are capitalized. These capitalized costs amounted to €7.3 million in the three months ended March 31, 2002 as compared with €17.9 million in the same period in 2001.

Net selling, general and administrative expenses, were €35.2 million in the three months ended March 31, 2002, an increase of €5.0 million as compared with €30.2 million in the three months ended March 31, 2001. This increase is the result of the reduction of capitalized costs, which offsets the decrease in gross selling, general and administrative expenses.

Depreciation and amortization expenses were €22.7 million in the three months ended March 31, 2002 as compared with €11.1 million in the same period in 2001. The increase in depreciation and amortization reflects our increased capital expenditure for the continuing construction of our networks.

Operating Loss

Operating losses were €26.8 million in the three months ended March 31, 2002 as compared with €32.9 million in the same period in 2001. The decrease in operating losses reflects increased customers and revenues in addition to the effect of our cost control management.

Net Financial Expense

Net interest and other financial expense was €45.1 million in the three months ended March 31, 2002 as compared with €40 million in the same period in 2001. The increase in net interest expense in the three months ended March 31, 2002 reflects a whole quarter interest expense on the 2001 notes issued in February 2001 and interest expense on the senior bank facility.

Effect of Inflation

We do not believe that our business will be affected by inflation to a significantly different extent than the general economy. However, we cannot assure that inflation will not have a material adverse effect on our business in the future.



ONO GROUP
CABLEUROPA, S.A. AND SUBSIDIARIES

Recent Developments

We have recently completed a reorganization and simplification of our corporate structure. Prior to December 31, 2001, Cableuropa owned a total of twelve Spanish subsidiaries, of which seven were wholly-owned subsidiaries. On December 31, 2001, these subsidiaries were merged into Cableuropa and all their assets and liabilities were acquired by operation of law by Cableuropa.

As part of the Group's reorganization, on January 2, 2002, our shareholders contributed all the outstanding shares of Cableuropa to a company named Grupo Corporativo ONO, S.A. in exchange for the same number of shares of Grupo Corporativo ONO, S.A. Therefore, from January 2, 2002, the sole direct shareholder of Cableuropa is Grupo Corporativo ONO S.A., which in turn is beneficially owned by the former shareholders of Cableuropa. Grupo Corporativo ONO, S.A. is a holding company whose only assets consist of Cableuropa stakeholdings.

Liquidity and Capital Resources

Liquidity and Capital Resources, including Off-Balance Sheet Arrangements

We believe that, given the following sources of funding, we have enough financing to fund our current planned network buildout, and the expected operating losses, through the end of the current business plan:

- cash on hand;
- drawdowns under the sales tax discounting facility and other short term credit facilities; and
- borrowings under the senior bank facility.

It is our treasury policy to monitor and manage exposure to variable interest rate risk and foreign currency risk by managing the amount of our outstanding interest bearing debt and foreign currency liabilities. In order to reduce such interest rate risk and foreign currency exposure, and as market conditions warrant, we and our affiliates reserve the right to enter into currency hedging transactions and purchase outstanding notes from time to time in privately negotiated or open market transactions, by tender offer or otherwise, using funds available to us.

Participative loans

In 2002, Grupo Corporativo ONO, S.A. received €300 million from our beneficial shareholders and contributed them to Cableuropa, S.A.U., which were characterised as participative loans. The participative loans accrue a variable interest of 0.25% on the volume of revenues of the Cableuropa group earned once revenues have surpassed €747 million on a quarterly basis.

The interest will not be credited to Grupo Corporativo ONO except where all amounts related to the senior bank facility and any other senior debt of the Cableuropa group (including principal and interest), have been fully met. Accrued and unpaid interests are added to the principal on a periodic basis. In no case should delayed interests be accrued. Interest added to the principal will be met by a one off payment on the expiry date of the loan (December 31, 2011).

Outstanding financial debt obligations

Our outstanding financial debt obligations as of March 31, 2002 are as follows:

	€ thousand		
	Debt with credit entities	Other financial debt	Total
2002.....	79,389	-	79,389
2003.....	4,417	-	4,417
2004.....	117	-	117
2005.....	-	-	-
2006.....	-	-	-
Subsequent years and deferred taxes.....	65,000	1,011,972	1,076,972
Total	148,923	1,011,972	1,160,895
Less short term portion.....	79,389	-	79,389
Long term portion.....	69,534	1,011,972	1,081,506



ONO GROUP
CABLEUROPA, S.A. AND SUBSIDIARIES

Payable to credit entities

The detail of payables to credit entities as of March 31, 2002 is as follows:

Type of debt	€ thousand	
	Maximum available	Outstanding Drawings
Long term debt:		
Senior Bank Facility	285,000	65,000
“La Caixa” loan	-	3,205
Leasing	-	1,329
Total long term	285,000	69,534
Short term debt:		
VAT Facility	67,170	64,381
“La Caixa” loan	-	498
Invoice discounting	9,015	6,335
Other credit facilities	38,118	5,722
Leasing	3,232	2,453
Total short term	117,535	79,389
Total payable to credit entities	402,535	148,923

Other debt

The items included under this caption are as follows:

Type of Debt	€ Thousand
Long term:	
1999 notes related debt (MBCF-1) denominated in US Dollars	308,296
1999 notes related debt (MBCF-1) denominated in euros	125,000
2000 notes related debt (MBCF-2) denominated in euros	200,000
2001 notes related debt (MBCF-3) denominated in euros	150,000
2001 notes related debt (MBCF-3) denominated in US Dollars	228,676
	228,676
<u>Total other financial debts</u>	<u>1,011,972</u>

Sources of liquidity and related risks

Short-term financing

In July 2001, we entered into a sales tax discounting facility of €78.1 million with a group of institutions led by Unicaja, the principal savings bank in Andalucía. Sales tax refunds in Spain are generally received six months or more after the end of the year for which the sales tax refund is due. These facilities are secured by a pledge over the sales tax receivable from the Spanish tax authorities and over the account to which the sales tax refunds are to be credited and will allow us earlier access to the sales tax refund. Borrowings under the sales tax discounting facilities are limited to the extent of our receivables from the Spanish government.

We have a number of unsecured short term credit facilities with financial institutions in Spain, which totaled around €38 million at March 31, 2002. These facilities are used to help us manage our working capital requirements.

Long-term financing

On August 8, 2001, Cableuropa and each of the Spanish subsidiaries, ONOLab and ONONet, as guarantors and borrowers, entered into an agreement with a series of international banks as arrangers of a senior secured bank facility to provide financing of up to €800 million for network construction, capital expenditure and working capital requirements of Cableuropa and these subsidiaries. Following its acquisition in September 2001, ONO SP joined the senior bank facility as guarantor and borrower. Under the senior bank facility, the borrowers must fulfill a number of conditions to borrowing availability, including certain representations and warranties and the absence of material adverse changes. No assurance can be given that such conditions to borrowing will be fulfilled or that funds under such facility will be made available to us. As at March 31, 2002 we had drawn €65 million under our €800 million senior bank facility. The senior bank facility maturity date is December 31, 2008. As security for the senior bank facility, the lenders thereunder have been granted a first-ranking security interest in:

- Cableuropa’s own shares, Cableuropa’s shares in the Spanish operating subsidiaries, ONOLab, ONONet and ONO SP; and



**ONO GROUP
CABLEUROPA, S.A. AND SUBSIDIARIES**

- material assets of Cableuropa, the Spanish subsidiaries, ONOLab, ONONet and ONO SP in respect of which security can be granted, including material contracts, inter-group loans, bank accounts, insurance policies, and intellectual property.

On August 8, 2001, as part of the finance package including the senior bank facility, our shareholders approved an additional contribution of €300 million. As at March 31, 2002 we had received this amount in equity to Grupo Corporativo ONO, S.A. who contributed it as participative loans to Cableuropa, S.A.U.

Off-balance sheet arrangements

Currency Swap

In May 2000, we entered into a cross currency swap to hedge our exposure to exchange rate differences on our 1999 dollar notes. As of March 31, 2002, the fair value of the cross currency swap would represent a €34.5 million asset for the group.

Performance guarantees

Certain Group companies have secured guarantees from Spanish credit institutions to guarantee compliance with specific commitments related to network construction, among others with the Ministry of Science and Technology, City Councils and other organizations related to the cable television and telecommunications licenses. Due to the partial conversion of cable telecommunications licences into telecommunications service licences, we expect a portion of these guarantees to be cancelled within the near-term. As of March 31, 2002 our performance guarantees amounted to €38.4 million.

Other liabilities accounted for at fair value

Equity Value Certificates ("EVCs")

In connection with the 1999 note issue on May 6, 1999, Cableuropa S.A. concluded, as the guarantor, two agreements with ONO Finance Plc and Bankers Trust, as agent, known as the "1999 Euro Equity Value Certificate Agreement" and the "1999 Dollar Equity Value Certificate Agreement". At March 31, 2002, taking into account the estimated market value of Cableuropa, S.A. shares, the debt recorded in respect of these 1999 EVCs amounted to €26.4 million.

In connection with the 2001 note issue on February 9, 2001, Cableuropa, S.A. concluded, as the guarantor, two agreements with ONO Finance Plc and Deutsche Bank, as agent, known as the "2001 Euro Equity Value Certificate Agreement" and "2001 Dollar Equity Value Certificate Agreement". At March 31, 2002, taking into account the estimated market value of Cableuropa S.A. shares, the debt recorded in respect of these 2001 EVCs amounted to €50.6 million.

Share-based compensation plan (Phantom stock option Plan)

On June 17, 1999 the Board of Directors of Cableuropa, S.A. approved a phantom stock option plan (the "Phantom Plan") for certain employees and directors, which provides that eligible employees and directors with the right, subject to vesting, to receive the difference between the market value (estimated by the Board of Directors) of a certain number of shares of Cableuropa, S.A. and their exercise price. The maximum period to exercise the options is 10 years. The potential liability under the Phantom Plan is recalculated annually and amounted to €16.7 million as of March 31, 2002. Changes in value of the options are recognized in the profit and loss account in the year incurred.

Options granted under the Phantom Plan vest progressively in equal thirds following the effective date of grant as follows: 3.5, 4.5 and 5.5 years.



**ONO GROUP
CABLEUROPA, S.A. AND SUBSIDIARIES**

Safe Harbor Statement Under the Private Securities Litigation Reform Act of 1995

Certain statements contained herein constitute “forward-looking statements” as that term is defined under the Private Securities Litigation Reform Act of 1995. When used herein, the words, “believe”, “anticipate”, “should”, “intend”, “plan”, “expects”, “estimate”, “projects”, “positioned”, “strategy”, and similar expressions identify such forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of the Group, or industry results, to be materially different from those contemplated, projected, forecasted, estimated or budgeted, whether expressed or implied, by such forward-looking statements. Such factors include the following: general economic and business conditions in Spain; the Group’s ability to continue to design networks, install facilities, obtain and maintain any required governmental licenses or approvals and finance construction and development, all in a timely manner at reasonable costs and on satisfactory terms and conditions, as well as assumptions about customer acceptance, churn rates, overall market penetration and competition from providers of alternative services; the impact of new business opportunities requiring significant up-front investment, and availability, terms and deployment of capital.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

The following discussion about our financial risk management activities includes “forward-looking statements” that involve risk and uncertainties. Actual result could differ materially from those projected in these forward-looking statements.

It is our policy not to enter into any transactions of a speculative nature. Our investment policy is limited by the indentures for our notes. We are restricted to investing in financial instruments with a maturity of one year or less (with certain limited exceptions). The indentures require our investments to meet high credit quality standards, such as (1) obligations of the governments of the United States, Germany, France, the United Kingdom and Spain or agencies thereof guaranteed by such countries, (2) certificates of deposits and money market deposits, (3) commercial paper with a rating of A-1 or P-1 and (4) direct obligations of U.S. states. Nevertheless, it is our treasury policy to monitor and manage exposure to variable interest rate risk and foreign currency risk by managing the amount of our outstanding interest bearing debt and foreign currency liabilities. In order to reduce such interest rate risk and foreign currency exposure, and as market conditions warrant, we and our affiliates reserve the right to enter into currency hedging transactions and purchase our outstanding notes from time to time in privately negotiated or open market transactions, by tender offer or otherwise, using funds available to us.

Market risk represents the risk of changes in the value of financial instruments, derivative or non-derivative, caused by fluctuations in foreign currency exchange rates and interest rates.

Interest income earned on our investment portfolio is affected by changes in short-term interest rates. We are thus exposed to market risk related to changes in market interest rates. To date, we have managed these risks by monitoring market rates and the duration of our investments. We do not think that we are exposed to significant changes in the fair value of our investment portfolio because of our conservative investment strategy.

Our 1999 and 2001 notes that are denominated in U.S. dollars expose us to risks associated with changes in the exchange rate between the U.S. dollar and the euro. Borrowings under our senior bank facility bear interest at a floating rate determined by reference to EURIBOR plus a margin. The interest rates on the notes are fixed. Accordingly, as at March 31, 2002 we had variable rate debt outstanding and, accordingly, exposure to risk due to fluctuations of interest rates. It is our treasury policy to monitor and manage exposure to variable interest rate risk and foreign currency risk by managing the amount of our outstanding interest bearing debt and foreign currency liabilities. In order to reduce such interest rate risk and foreign currency exposure, and as market conditions warrant, we and our affiliates reserve the right to enter into currency hedging transactions and purchase our outstanding notes from time to time in privately negotiated or open market transactions, by tender offer or otherwise, using funds available to us.

On May 18, 2000, ONONet formalized with Bank of America and Toronto Dominion Bank a cross currency swap operation from U.S. dollar to euro, whereby these banks assumed the amount of the debt denominated on the 1999 dollar notes until May 1, 2004 plus the corresponding interest payable in dollars as from the maturity of the escrow accounts until that date, and ONONet for its part, assumed a debt to these banks with the same maturity dates, of €308 million in capital and interests totaling €76 million. The exchange rates at which this cross currency swap operation was carried out were 0.8920 and 1.1713 dollars per euro for capital and interest respectively. At the same date, ONONet and the Group companies underwriting the debt, assigned the debt assumed by them to ONO Finance plc, the coverage underwritten covering all the Group companies.



**ONO GROUP
CABLEUROPA, S.A. AND SUBSIDIARIES**

Interest rate sensitivity

The following table sets forth certain information with respect to the debt obligations at March 31, 2002 that are sensitive to changes in interest rate:

	Expected maturity date (expressed in thousands of each currency)						€ thousand	
	2002	2003	2004	2005	2006	Thereafter	Total	Fair value
Long term debt-variable rate:								
Senior bank facility.....	-	-	-	-	-	65,000	65,000	65,000
Euribor + 3,5%								
Long term debt-fixed rate:								
Dollar notes	-	-	-	-	-	475 000	475 000	268,408
Average interest rate: 13,7%								
Euro notes.....						475 000	475 000	231,500
Average interest rate: 13,7%								

Foreign exchange rate sensitivity

The following table sets forth certain information with respect to the debt obligations and cross-currency swap at March 31, 2002 that are sensitive to changes in interest rate:

	Expected maturity date (expressed in thousands of each currency)						€ thousand	
	2002	2003	2004	2005	2006	Thereafter	Total	Fair value
Cross currency swap 1999 dollar notes (US \$)...	-	-	(34,517)	-	-	-	(34,517)	(34,517)
2001 dollar notes 14%	-	-	-	-	-	200,000	200,000	114,338

New accounting standards

For a description of new U.S. accounting standards affecting the Group, see note 14 to our unaudited condensed consolidated financial statements included elsewhere in this Form 6-K. No new Spanish generally accepted accounting standards have been issued that may affect the Group's financial statements.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Certain legal actions have been initiated against the Spanish telecommunications regulatory authority, challenging the award, or the public bidding process that resulted in the award, of the Murcia, Huelva and Andalucía, franchises, respectively. In addition, the enlargement of the Mallorca franchise has been challenged. We are not a party to all these proceedings, though they may adversely affect our licenses. Generally, the plaintiffs in these actions either challenge the public bidding process or allege non-compliance by the Spanish telecommunications regulatory authority with such procedures. The Spanish telecommunications regulatory authority is contesting these actions and we intend to file supporting memoranda vigorously contesting these actions. We believe that there is no factual basis to support the plaintiffs' claims, and that the actions will therefore prove unsuccessful. The loss of any of these franchises would have a material adverse effect on us and would constitute an event of default under the terms of the 1999 notes, the 2000 notes and the 2001 notes. Similar actions have been filed by unsuccessful bidders in connection with the award of many of the cable/telephony franchises awarded in 1997 and 1998. To date no action has been successful in overturning the award of a franchise. In addition, Telefónica has challenged the Spanish telecommunications regulatory authority's approval of the 1998 and 2000 reference interconnects offers.

The Group is also engaged in certain routine litigation arising in the ordinary course of its business. The Group does not believe that the adverse determination of any such pending routine litigation, either individually or in the aggregate, could have a material adverse effect on the Group's business or financial condition.

ITEM 2. CHANGES IN SECURITIES AND USE OF PROCEEDS

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. SUBMISSION OF MATTERS TO VOTE OF SECURITY HOLDERS

None.



**ONO GROUP
CABLEUROPA, S.A. AND SUBSIDIARIES**

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

None.



**ONO GROUP
CABLEUROPA, S.A. AND SUBSIDIARIES**

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorised.

CABLEUROPA S.A.U.

Date: May 30, 2001

By: /s/ Richard Alden

Richard Alden
Chief Executive Officer